Government of
Saskatchewan

Financial Statement
2001-02

Saskatchewan Learning
Resources Distribution Centre

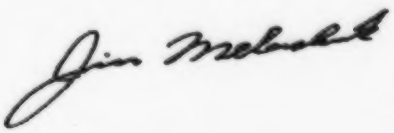
Letter of Transmittal

The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit for your consideration the Financial Statements of the Learning Resources Distribution Centre Revolving Fund for the year ending March 31, 2002.

Respectfully submitted,



Jim Melenchuk
Minister of Learning

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2002

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

SASKATCHEWAN

103-00650/

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet E-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Learning Resources Distribution Centre Revolving Fund as at March 31, 2002 and the statements of operations and accumulated operating deficit, and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
August 15, 2002

Fred Wendel, CMA, CA
Provincial Auditor

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

	2002	2001
Current assets:		
Petty cash	$ 2,100	$ 2,100
Accounts receivable	319,914	243,291
Prepaid expenses	1,312	3,277
Inventories (Note 5)	1,652,211	1,883,579
	1,975,537	2,132,247
Capital assets (Note 6)	33,848	142,332
	$ 2,009,385	$ 2,274,579

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	$ 65,714	$ 52,889
Customers' deposits and credits	5,998	60,159
	71,712	113,048
Accumulated net expenditure (Statement 3)	2,124,277	2,714,728
Fund Equity:		
Accumulated operating (deficit) (Statement 2)	(186,604)	(553,197)
	$ 2,009,385	$ 2,274,579

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING DEFICIT
For the Year Ended March 31

	2002		2001
	Budget (Note 11)	Actual	Actual
Revenue:			
Sales	$ 3,200,000	$ 2,721,948	$ 3,044,600
Less: Cost of goods sold	2,752,000	2,321,483	2,591,558
Gross profit	448,000	400,465	453,042
Other Income	200	1,051	71
WCP Project revenue (Note 13)	62,480	57,466	129,192
	510,680	458,982	582,305
Operating expenses:			
Salaries	387,000	343,117	389,938
Amortization	127,000	111,577	115,832
Postage	47,000	65,349	58,838
Office and warehouse expense	32,500	28,845	36,680
Computer support and maintenance	45,000	30,485	54,086
Freight and express out	8,000	1,297	3,263
Other	12,900	9,686	12,025
Loss due to market decline of inventory	-	89,446	193,191
WCP project expenses: (Note 13)			
Salaries	18,000	23,640	36,217
Audio-visual equip.,off.equip.rental,etc	2,600	1,811	22,233
Building rental	27,000	21,677	50,315
Office expense, etc.	9,200	9,459	12,884
	716,200	736,389	985,502
Net (loss) from operations	(205,520)	(277,407)	(403,197)
Subsidy from General Revenue Fund (Note 4)	172,300	644,000	325,205
Net Income (loss) (Note 14)	$ (33,220)	366,593	(77,992)
Accumulated operating (deficit) beginning of year		(553,197)	(475,205)
Accumulated operating (deficit) end of year - to Statement 1		$ (186,604)	$ (553,197)

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2002	2001
Financing (provided by) required for operating activities:		
Net (income) loss	$ (366,593)	$ 77,992
Items not affecting working capital:		
Amortization	(111,577)	(115,832)
Net increase (decrease) in working capital items related to operations (Note 8)	(116,420)	(413,102)
	(594,590)	(450,942)
Financing (provided by) required for investing activities		
Purchase of capital assets	3,093	10,404
Net (recovery)	(591,497)	(440,538)
Assets transferred to Revolving fund at no cost during year (Note 10)	1,046	1,224
Accumulated net expenditure, beginning of year	2,714,728	3,154,042
Accumulated net expenditure, end of year - to Statement 1	$ 2,124,277	$ 2,714,728

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Authority and Definition of Entity

The authority for this Revolving Fund is contained in section 10(4) of *The Education Act, 1995*. *The Education Act, 1995* was amended to change the name of the Saskatchewan Book Bureau Revolving Fund to the Saskatchewan Learning Resources Distribution Centre Revolving Fund. The purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund is to finance and to provide a system of accounting for the purchase, sale and distribution of such school textbooks, workbooks, reference textbooks, related print and non-print materials as recommended by the Department of Education for use in Saskatchewan schools, and to serve as distributor and sales agent for publications and materials of the Department of Education.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the statement of changes in Accumulated Net Expenditure and Note 8. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from /(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Fund includes the following:

i) Amounts due to the Minister of Finance as at March 31, 1982, and assumed by the Revolving Fund in respect of working capital advances.

ii) Net expenditure/(recovery) for each fiscal year; and

iii) The book value of assets acquired at no cost from another government agency.

c) Amortization

Amortization is provided on office and warehouse equipment on a straight-line basis at an annual rate of 10% of acquisition value. Computer software costs are amortized at an annual rate of 25% from the date the software becomes operational. Computer equipment is amortized on a straight-line basis at an annual rate of 25% of acquisition value.

d) Inventory Valuation

Inventory is valued at the lower of average cost and net realizable value.

e) Pricing Policy

The Revolving Fund's sales catalogue of books and educational materials and the retail list prices of the items therein are revised periodically by the management with a view to operating the Revolving Fund as close to the break even point as possible. For the 1997 to 2002 years, the retail list price of publications was based on invoice cost plus up to 16.5%.

f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The more subjective of such estimates and assumptions relate to inventory valuation. Management believes its estimates and assumptions are appropriate, however, actual results could differ materially from those estimated.

3. Authorized Financing

Section 10(10) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 11/85, the maximum amount has been set at $4,000,000.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit of the Learning Resources Distribution Centre Revolving Fund is $150,000.

5. Inventories

	2002	2001
Books and educational material	$ 2,050,727	$ 2,222,647
Allowance to reduce inventory to net realizable value	(398,516)	(339,068)
	$ 1,652,211	$ 1,883,579

6. Capital Assets

	2002			2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office equipment	$ 4,553	$ 4,546	$ 7	$ 7
Warehouse equipment	69,772	59,025	10,747	12,478
Computer software	271,431	268,942	2,489	5,286
Computer equipment	440,659	420,054	20,605	124,561
	$ 786,415	$ 752,567	$ 33,848	$ 142,332

Amortization provided in the financial statements for the current year amounted to $111,577 (2001 - $115,832).

7. Costs Borne by Other Agencies

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

8. Net Change in Working Capital Items Related to Operations

	2002	2001
(Decrease)/increase in accounts receivable	$ 76,623	$ 14,268
(Decrease)/increase in prepaid expenses	(1,[illegible]55)	719
(Decrease)/increase in inventories	(232,414)	(351,756)
Decrease/(increase) in accounts payable	(12,825)	(23,456)
Decrease/(increase) in customers' deposits and credits	54,161	(52,877)
	$ (116,420)	$ (413,102)

9. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Transfer of Inventory

The Department of Education transferred inventory items valued at $1,046 (2001 - $1,224) to the Revolving Fund at no cost.

11. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

12. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable, accounts payable and accrued liabilities, and customers' deposits and credits. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

13. WCP Project

Western Canadian Protocol for Collaboration in Basic Education -- Manitoba Education and Training has contracted Saskatchewan Education to provide a staffed facility and related services for the evaluation of learning resources that support the curriculum framework developed by this collaboration. The project was completed August 31, 2001.

14. Amount Reported in Public Accounts

The net financing requirement of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving fund and the General Revenue Fund:

	2002	2001
Net income/(loss) from operations	$ 366,593	$ (77,992)
Decrease in inventory balance	231,368	350,532
Decrease in net capital assets	108,484	105,428
Amounts not included in Public Accounts, due to timing	(2,449)	(4,689)
Net recovery, reported in the Public Accounts	$ 703,996	$ 373,279

15. Discontinuation of Service

In April 2001, a review of the Revolving Fund was conducted to evaluate the type and level of usage of the Revolving Fund's services by school divisions and other client groups. The review concluded that learning resource needs of the K-12 education sector clients have changed. These changes have resulted in a decrease demand for services provided by the Revolving Fund. As a result, a business decision has been made to wind-down the purchase and distribution of commercially acquired resources by the Revolving Fund effective April 1, 2003. The fund will continue to produce and distribute Department of Education publications and other resources required by the department.

16. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.